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Central Intelligence Bulletin

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April 29, 1974

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Approved For Release 2003/12/03 : CIA-RDP79T00975A026400030001-5

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PORTUGAL: The enthusiasm that has greeted the new junta's takeover and General Spínola's announced moves toward liberalization may lead to rising expectations that will conflict with the junta's desire to maintain order.

The junta has consolidated its control by emasculating its opponents on the right through reorganization of the secret police and abolition of former premier Caetano's official political party, and by neutralizing its critics on the left with its program that appeals to the moderate left. But the junta has warned it would set limits on political activity should the new freedom offered be "abused" by the left. Such limits would be likely to provoke a negative reaction.

The initial liberalizing moves announced by the junta show that, while more liberal than the previous regime, it fully intends to be firm. It apparently does not plan to ask for help or to consult in choosing the provisional president or government. Although there should be little opposition to the expected choice of General Spínola as president, political groups that were illegal under the Caetano government will undoubtedly expect to be consulted and to participate in other political discussions. While censorship has been abolished, an ad hoc commission will "control" the media until new press laws are promulgated, and crimes against "the established political order" will be dealt with by the armed forces, just as under Caetano. There will probably be some chafing on both these provisions. At his recent press conference, however, General Spínola appeared to indicate that political parties, including the Socialist Party and the Communist-dominated Democratic Electoral Commission, would be legalized.

The junta is giving priority to consolidating its power in Portugal proper and appears to be leaving the problem of policy toward the African insurgencies to be dealt with later. The governors-general in the African territories were replaced at the same time as the provincial governors in Portugal, and new administrations are being installed. In Angola,

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Mozambique, and Portuguese Guinea their immediate subordinates have taken over. There have been no reports of civil disturbances from any of the territories.

The African liberation movements and the African states that have been supporting them for more than a decade of insurgency have welcomed the coup. Insurgent leaders, however, are taking a hard line against General Spinoza's concept of a federation between Lisbon and the territories.

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FRANCE: As the presidential campaign goes into its final week, Gaullist candidate Jacques Chaban-Delmas appears largely out of contention, setting up a second-round struggle between Valery Giscard d'Estaing and Francois Mitterrand.

Chaban was first to enter the race but has not been able to consolidate and build on the initial favorable voter reaction. Failure to gain the Gaullists' full support, an ineffective campaign, and the appeal of Gaullist maverick Jean Royer have almost destroyed Chaban's chances for the first-round victory over Giscard that he needs next Sunday if he is to meet Mitterrand in a runoff on May 19. The lukewarm endorsements of Prime Minister Messmer and Foreign Minister Jobert have had no noticeable effect on Chaban's chances.

At this point, a trend in the opinion polls may have been created that Chaban will be unable to overcome, except in the unlikely event that Giscard makes a serious mistake. Giscard is most vulnerable to attacks on his management of the economy as economics and finance minister over the past decade, but the voters do not seem to be holding him personally responsible for France's economic problems.

Chaban's backers had hoped to boost his showing in the polls by securing the withdrawal of Royer, but he has refused to quit. The latest poll shows, moreover, that Giscard has gained not only among pro-Chaban voters but also among those who initially preferred Royer.

Francois Mitterrand, the sole candidate of the united left, has been campaigning effectively despite undercurrents of mutual suspicion among both Socialists and Communists. Mitterrand's performance in the opinion polls shows that he is assured of a place in the runoff, but he has not yet gained more than the mid-40 percentages that the left usually draws.

The middle-of-the-road and uncommitted voters hold the key to victory, and they have shown no clear preference for any of the three front-runners. The

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lack of cohesion on the right and general dissatisfaction with the Pompidou regime's social policies will not necessarily be translated into votes for Mitterrand in either round. There is a slight chance, however, that abstention among these and rightist voters will be so heavy that Mitterrand may gain the absolute majority required to win in the first round.

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ETHIOPIA: The military has ended its arrests of former ministers and continues to proclaim its support for Prime Minister Endalkatchew's government.

Fifteen former cabinet ministers and five other former officials charged with corruption are being held at the headquarters of the Fourth Army Division in Addis Ababa. A coordinating committee formed by representatives of the armed forces and police to direct the arrests issued a statement on April 27 saying that the officials would be held pending the decision of a committee of inquiry appointed last month to investigate allegations of widespread official corruption.

Addis Ababa is reportedly calm. Military forces are less evident but some military patrols continue.

The coordinating committee said the armed forces and police support the cabinet and Emperor Haile Selassie. The committee urged the Ethiopian people to follow the cabinet's directives, stated its opposition to strikes and demonstrations, and appealed to striking workers to return to work.

The committee demonstrated the military's determination to end the country's wave of strikes by arresting eight executives of the Addis Ababa bus company for questioning in connection with the bus drivers' strike.

Some members of the moderate reformists that dominate the military, despite their current expressions of support for the government, probably question the ability of the Endalkatchew cabinet to restore order and proceed with promised reforms. They may decide to take a firmer hand in running the country's affairs if serious disorders continue for long.

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USSR: Adverse weather is posing a serious threat to Soviet crop prospects. Rainfall over the western part of the country has been well below normal since last fall, particularly in Moldavia and the western half of the Ukraine. In a recent meeting with US Senator Roth in Moscow, Deputy Minister of Agriculture Kuznetsov estimated that up to 10 million hectares of the 35.5 million sown in the fall would require resowing, compared with an average of 3 to 5 million in recent years. In 1972, a bad crop year, about 10 million hectares of fall-sown crops required reseeding.

Losses in fall grain output can be offset through resowing in the spring. The result, however, is a substitution of feed grains for food grains.

Prospects for the spring crops also are being jeopardized by the lack of rainfall. Although the spring sowing campaign got off to a better start this year because dry conditions permitted earlier field cultivation, a cold snap and snowstorm which hit the European USSR in mid-April hindered sowing operations. By April 22, the area planted was one third less than that at the same time last year. The season is still early, however, and prospects will depend in part on weather conditions over the next few weeks.



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JAPAN: Sharp wage hikes won in organized labor's "spring offensive" will keep Japan's inflation rate in the 20-25 percent range this year, making it one of the highest among the developed countries. Tokyo thus will move cautiously in trying to stimulate the flagging economy.

Wage increases averaging about 30 percent have been won by railway employees, seamen, postal employees, auto workers, steel workers, and shipbuilders. Small and medium-sized manufacturing firms generally have been slow in coming to terms and will probably grant somewhat smaller increases.

The new pay increases will have a much greater impact on prices than did the 20-percent pay raise in 1973. With production booming, last year's raise was largely offset by sharp gains in labor productivity. By the end of the year, however, industrial production was declining and it remained weak throughout the first quarter of this year. Firms are observing the custom of not laying off workers; therefore, productivity gains will be small.

Other inflationary factors should ease as the year wears on. Investment demand is slackening, and the rise in the prices of imports is likely to taper off. The pace of industrial recovery depends on how quickly and decisively Tokyo eases the price controls and monetary and fiscal restraints that have been imposed to dampen inflation. Because inflation is a sensitive political issue, however, the government will continue to ride the brakes at least until after the election this summer.

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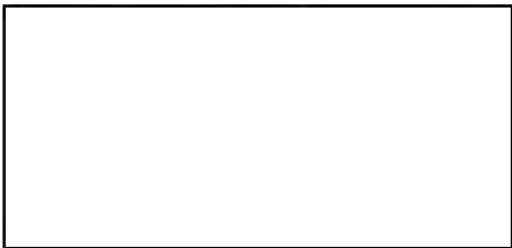
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